

## Indiana State Budget Agency

Financial Management Circular: #2007-6

Effective Date: July 20, 2007

General Subject: Memorandums of Understandings (MOU's) and Memorandums of Agreements (MOA's)

Specific Subject: State Budget Agency (SBA) Review and Approval Authority

Authority: IC 4-12-1

Application: This Circular applies to all instrumentalities (hereafter referred to as "State agencies") of the Executive Branch, including all bodies corporate and politic, excluding only state educational institutions (as defined in IC 20-12-0.5-1), the Secretary of State, the Auditor of State, the Treasurer of State, the Lieutenant Governor, the Attorney General, and agencies for which these elected officials serve as the agency head.

**Section 1: Definitions** – Memorandums of Understanding and Memorandums of Agreements (collectively referred to as "MOU's") are generally considered formalized written documents between State agencies which involve programmatic and/or fiscal issues and enunciate mutual understandings, agreements, duties, responsibilities, policies, procedures, time frames, and other matters as necessary and appropriate.

**Section 2: General Policy** – Due to the possibility of direct or indirect state fiscal impact, the SBA's general policy is that all MOU's between State agencies require SBA review and approval. The SBA should be involved in the formulation of the document prior to being presented for review and approval. The use of an MOU does not alter state and/or federal requirements related to personnel, budgeting, fiscal, accounting, reporting, procurement, auditing, or other matters.

**Section 3: Duration** - No MOU is to extend beyond the 2-year budget period (for example July 1, 2007 thru June 30, 2009) and must be renewed to remain valid. The SBA may revoke (in writing) its approval of a MOU at any time, in which case, the document will cease to bind the State agencies. If a revocation would occur, the SBA will consult with all the State agencies affected by the MOU regarding funding issues.

**Section 4: MOU Format** - An acceptable format for an MOU could include the following provisions:

- Title of document – **Memorandum of Understanding (or Agreement)**.
- **Whereas** – List the necessary “whereas” paragraphs which state the need for the document.
- **It is Therefore Agreed** – List the necessary paragraphs which articulate the understandings or agreements and include fund account details (see Section 5).
- **In Witness Thereof** – Include the signature block for each State agency party to the document to include the person’s signature that has authority to sign the MOU, their State agency, their printed name and title, and date (see Section 6).
- **SBA signature** – A **SBA signature block** should appear on the document as follows:

Approved:

\_\_\_\_\_  
Christopher A. Ruhl  
Director, State Budget Agency

Date: \_\_\_\_\_

*Instruction note:* Other formats may be used as necessary and appropriate, but should contain the above basic elements.

**Section 5: Funding / Accounting Treatment** – The following items should be considered regarding the funding and accounting treatment of an MOU:

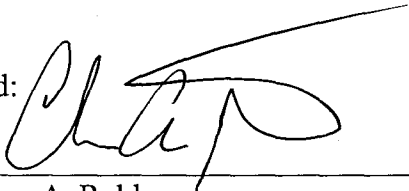
- State agencies should not enter into an MOU if funding is not available to support the agreement.
- Generally, a Journal Voucher (JV) is used to transfer funding between State agencies party to the MOU. Discuss possible alternate methods with you SBA assigned budget analyst as necessary.
- It is the responsibility to the “supplying” State agency (the State agency which is supplying the goods or services) to prepare the JV and to timely submit it to the “receiving” State agency. This is especially so during late June of each fiscal year when funds may no longer be available for transfer.

- Conversely, the “receiving” State agency should also be diligent in monitoring the timely receipt of JV’s such that funding reserved for payment of the MOU is made within the appropriate fiscal year.
- Funds transferred to the “supplying” State agency should be treated as “revenue” and directed to the fund account which supplied the goods or services. If the State agency requires access to these funds, it should consult with its SBA assigned budget analyst regarding the possible budget augmentation and/or allotment of the transferred funds.

**Section 6: Document Signatures and Routing** - MOU’s are required to be signed by all State agency appointing authorities or designees party to the document. The document should be attached to State Form 41221 (Executive Document Summary) then routed to the SBA for review and approval. The State agencies party to the MOU should designate a “lead agency” to route the document. Upon approval, the SBA will return the document to the lead State agency. It will be the lead State agency’s responsibility to forward a copy of the approved document to all State agencies party to the MOU.

**Section 6: Document Postings** - All MOU’s will be posted on the SBA’s intranet web site ([www.sba.state.in.us](http://www.sba.state.in.us)) for review and will be deleted when expired.

Approved: \_\_\_\_\_



Christopher A. Ruhl  
Director, State Budget Agency

Date: \_\_\_\_\_

7/19/07